

# Table of Contents

[Table of Contents](#_oqga0mtn5mdo) **2**

[**About Pinnacle Physical Therapy**](#_la9jslrhgash) **3**

[Organization and Legal Structure](#_81guaiexphsh) **3**

[Description of Services](#_7ua54cwol3wv) **3**

[Mission Statement](#_2ici8v3jiuzn) **3**

[Keys to Success](#_mjccb4zgpkc6) **3**

[**SWOT Analysis**](#_nde3bs1kdwh0) **4**

[Environmental Scan](#_ubzgnhxg3bw1) **4**

[**Operations/ Structure of Business**](#_t7g8i47wjo8c) **6**

[Operation and Ownership Structure](#_oebpopiy3ld5) **6**

[Description of Organization](#_4z924kt3wkis) **6**

[Geographic Location and Facility Requirements](#_s8bcwndodew0) **7**

[Hours of Operation](#_z5gyvtrs00xk) **7**

[**Personnel/ Staffing**](#_n53y8truy5) **8**

[Personnel Requirements](#_xiwexa60keyy) **8**

[Job Description for Key Personnel](#_jyub8qtzi6m) **8**

[**Regulation and Insurance**](#_13xofufkszax) **9**

[Regulatory Requirements](#_em0iafqg5567) **9**

[Insurance Needs](#_ecc2569f6dzo) **10**

[**Market Analysis/ Strategy**](#_vio8vfghdr4y) **10**

[Market analysis and Strategy](#_foz5iuxqvwph) **10**

[**Budgeting**](#_g1lutd966q91) **10**

[Capital Budget](#_r90l2szgeq9y) **10**

[Annual Operations Expense Budget](#_opoejfswrxlw) **10**

[**Payment Information**](#_2qa3lbtqg4rv) **12**

[Payer mix/case mix/revenue source](#_r6484eyjm1dt) **12**

[Productivity estimates](#_z85ne1dxa5q) **13**

[Estimated collection rates](#_p9vj7vguvlsp) **13**

[Annual revenue projections](#_tz0xaf6ndrlz) **13**

[**Break-Even Analysis**](#_14cc6gjyvu4l) **13**

[Break-Even Analysis](#_llrrrja35jjq) **13**

[**Information management systems**](#_agrg59faud5w) **15**

[Outcomes assessment strategies](#_yxci1xh3oni5) **15**

[Exit strategies](#_ltaoir9bbbz6) **15**

# **About Pinnacle Physical Therapy**

# Organization and Legal Structure

* We are an S-Corporation which means the corporation does not pay corporate tax. Pay taxes through the individual tax rate and not the corporate tax rate. Loss or profit is on the owners so everything goes through to the owners. Being an S-Corporation, we avoid the double taxation that the C-Corporation entails. We can bring on more investors if more money is needed.

# Description of Services

* We are an outpatient clinic in Cary, NC which also has a cash based triage clinic on the weekend and Monday mornings which will meet the needs of local high school, middle school, and college athletes including football, basketball, baseball, golf, tennis, pickleball, rugby, and others.

# Mission Statement

* Our mission is to encourage our patients to reach the pinnacle of their capabilities through high quality healthcare.

Vision Statement

* In our pursuit of excellence, our vision is to provide high quality care to foster health in the local community.

# Keys to Success

* To separate ourselves from the competition and provide the best chance for a successful business, we will go to every elementary, middle, and high school as well as community college to advocate for our cash based triage clinic. This includes talking to principals, athletic directors, and coaches to educate them on the lack of care on the weekends for musculoskeletal issues due to injuries in sports like basketball, football, baseball, soccer, lacrosse, and rugby. To further incentivize coaches referring their injured players to our triage clinic, we will provide a free, one time, injury prevention and physical performance skills day to the team. To reduce the likelihood of a civil lawsuit arising from an injury during the clinic, we will have each player sign a waiver prior to participating.

# **SWOT Analysis**

# Environmental Scan

* Demographics of Cary, NC:
  + Population: 170,282
  + Age: average age 39.9 years old
  + Educational level: 96.4% have an high school degree or higher, 67.8% hold a bachelor’s degree or higher
  + Median household income: $104,669 per year
  + Lives with a disability under 65: 3.8%
  + Without health insurance: 5.69%
  + Employee health insurance coverage: 67.6%
  + Medicaid: 5.11%
  + Medicare: 8.76%
  + Diabetes: 8.6%
  + Obesity: 27.6%
  + Mean travel time to work: 23.3 minutes
  + 78% drove alone to work
  + Average household has 2 cars
  + Owner occupied housing unit rate: 68.4%
* Economic Environment:
  + Occupation types:
    - Management: 16.3%
    - Computer and mathematical: 13.3%
    - Business and financial: 8.8%
    - Education: 6.8%
    - Healthcare: 5.6%
    - Architecture and engineering: 3.6%
  + There are over 20 physical therapy clinics in Cary, NC
* Political Environment:
  + Utilize direct access with both our normal hours of clinic and our cash based triage clinic on Saturdays and Mondays.
* Technology Environment:
  + Centered in Research Triangle and in close proximity to several universities
  + Raleigh metro area is ranked #1 for STEM job growth according to Forbes
  + Broadband connection is #1 in Cary for the state of North Carolina
* Stakeholder Environment:
  + Internal: owners, employees, patients
  + External: competitors such as other PT clinics, patients, investors, regulatory bodies, payers
* Perception’s Environment:
  + Wi-Fi offered to patients and visitors
  + Coffee maker in the clinic
  + Complementary small candies
  + Advocate for public transportation services of Cary, NC to install a bus stop in front of the clinic
* Accountability Environment:
  + The business has legal responsibility to the Practice Act and any other professions’ Practice Acts that may work in the clinic
  + Our mission statement explains the core of our existence as a company, that is to get people back to doing what they love. This could be playing basketball, hiking, or being able to walk up the bleachers at a grandchild’s baseball game. Our vision highlights the desire to promote healthy lifestyles within our community by advocating for exercise and physical activity with all our patients.
* Competition Environment:
  + There are numerous physical therapy clinics in Cary, NC and in the surrounding area. None of them provide weekend triage treatment and evaluation specifically for injuries in sports like football, basketball, baseball, golf, tennis, pickleball, rugby and more. We will utilize direct access to evaluate and treat these patients using a cash based system so a physician's referral is not required.
* Ecology Environment:
  + Public health: monthly screenings for mold and other hazardous material will be conducted. There will be a specific area and disposal for any and all hazardous material.
  + Natural and man-made surroundings: large enough parking lot where patients can park and walk in the clinic from short distances and adequate handicap parking. Don’t allow trees or other shrubbery to cover the clinic sign.
* Social Environment:
  + Age: average age 39.9 years old
  + Foreign born population: 33.2%
    - Most common birthplace: Mexico
    - < 1% of households in Cary, NC speak a non-English language at home as their primary language
* Sources
  + <https://datausa.io/profile/geo/cary-nc/>
  + <https://account.newsobserver.com/paywall/subscriber-only?resume=218658040&intcid=ab_archive>
  + <https://raleigh-wake.org/news-and-media/news-and-rankings/job-growth-study-raleigh-no-2-in-tech-no-1-in-stem>

# Operations/ Structure of Business

# Operation and Ownership Structure

* Shareholders
  + 2 Physical Therapists and 1 Business Investor
    - Carson Matthews, DPT (33.333%)
    - Mac Garrett, DPT (33.333%)
    - John Doe (33.333%)
* Employees
  + 4 Physical Therapists (including MG and CM)
  + 2 Physical Therapy Assistants
  + 1 Office Manager (run front desk)
* Operational Structure
  + Regular business hours
    - All employees present each day of the week
  + Cash based triage on Mondays (walk in’s or by appointment)
    - 1 PT designated for the 8:00-10:00 slot (same PT as that previous Saturday)
    - All other employees will be present for normal business hours
  + Cash based triage on Saturdays
    - 1 PT and 1 PTA present during operation hours
      * Each PT will rotate weekly (1 PT for roughly every week of the month)
      * Each PTA will rotate (roughly work every other weekend)
      * Have either Carson or Mac on call every weekend to come in, in case of increased number of triage patients

# Description of Organization

* Corporation established by an incorporator (an attorney's office)
* Verified that the name “Pinnacle Physical Therapy” is not being used anywhere else in the state
  + <https://www.sosnc.gov/online_services/search/by_title/_Business_Registration>
* File to article of incorporation with the State’s Secretary of State
* Board of directors elected
  + 7 total (3 internal and 4 external)
  + Mac and Carson, who are also shareholders as well as a PTA with the most experience working in the clinic.
  + Outside board members will include a loyal and respected patient, referring physician, lawyer, and a local school athletic director
  + Board of directors will meet every 3 months to discuss management and oversight
* Officers elected (elected by the Board of directors)
  + President: Carson Matthews
  + Vice President: Mac Garrett
  + Secretary: Receptionist
  + Treasurer: Accountant
* Articles of Incorporation
  + Rules of governance of the corporation
    - Corporation name: Pinnacle Physical Therapy
    - Registered agent to receive legal documents: Mac Garrett
    - Corporate structure: S-Corporation (profit)
    - Board of director names and addresses
    - Shares allocated to shareholders
    - Duration: perpetual existence
    - Name, signature, and address of attorney (incorporator)
    - <https://www.investopedia.com/terms/a/articlesofincorporation.asp>
* Shareholders Agreement
  + Private document
  + Further defines shareholder and corporation relationship
  + Document is meant to protect the minority shareholder and addresses ownership percentages
    - Three owners of Pinnacle Physical Therapy in which all three owners have a ⅓ ownership percentage in the company meaning each is a minority shareholder
* Employment Agreement
  + Describes relationship between the employee and the corporation
  + Terms of employment and comply with employee job descriptions
  + Addresses salary and benefits
  + No-compete clause
    - If someone quits or is fired, they can’t go work for another company that is in direct competition and within a 30 mile radius of Pinnacle Physical Therapy for 1 year

# Geographic Location and Facility Requirements

* Cary, NC due to the median household income being $104,669 per year (NC median household income $54,602). Six high schools around Cary, NC. The Raleigh-Cary metro area is the fastest growing city in North Carolina growing 25.6% from 2010-2020. *Money Magazine* ranks Cary the 5th best place to live in the United States. The facility needs to be big enough for at least 3 private treatment rooms, office space, small gym, and a small waiting area for patients.

# Hours of Operation

* 8:00-5:00 Monday-Friday. Cash based triage on Saturdays from 9:00-12:00 and Mondays from 8:00-10:00
  + 45 minute lunch break

# 

# **Personnel/ Staffing**

# Personnel Requirements

* PT Requirements
  + Graduate from a Doctorate of Physical Therapy program (DPT)
  + Pass the National Physical Therapy Examination (NPTE)
  + Be a licensed Physical Therapist in the state of North Carolina
  + Preferably 3 years of experience as a PT, specifically focused work in an orthopedic setting
* PTA Requirements
  + High school diploma or equivalent
  + Associates Degree from a program accredited by the Commission on Accreditation in Physical Therapy Education
  + Preferably at least 1 years’ experience as a PTA, specific to an orthopedic setting
* Receptionist Requirements
  + High school diploma or equivalent
  + Preferably 1 year of job experience in related fields

# Job Description for Key Personnel

* Physical therapists typically do the following:
  + Review patients’ medical history and referrals or notes from doctors, surgeons, or other healthcare workers
  + Diagnose patients’ functions and movements by observing them stand or walk and by listening to their concerns
  + Develop individualized plans of care for patients, outlining the patients’ goals and the expected outcomes of the plans
  + Use exercises, stretching maneuvers, hands-on therapy, and equipment to ease patients’ pain, help them increase their mobility, prevent further pain or injury, and facilitate health and wellness
  + Evaluate and record a patients’ progress, modifying the plan of care and trying new treatments as needed
  + Educate patients and their families about what to expect from the recovery process and how to cope with challenges throughout the process
  + Assist in cleanliness and organization of clinic and daily operation needs
  + <https://www.bls.gov/ooh/healthcare/physical-therapists.htm#tab-2>
* Physical therapist assistants typically do the following:
  + Observe patients before, during, and after therapy, noting the patient’s status and reporting it to a physical therapist
  + Help patients do specific exercises as part of the plan of care
  + Treat patients using a variety of techniques, such as massage and stretching
  + Use devices and equipment, such as walkers, to help patients
  + Educate patients and family members about what to do after treatment
  + Assist in cleanliness and organization of clinic and daily operation needs
  + <https://www.bls.gov/ooh/healthcare/physical-therapist-assistants-and-aides.htm#tab-2>
* Receptionists typically do the following:
  + Answer the telephone and take messages or forward calls
  + Schedule and confirm appointments and maintain calendars
  + Greet customers, clients, and other visitors
  + Check in visitors and direct or escort them to their destinations
  + Inform other employees of visitors’ arrivals or cancellations
  + Enter customer information into the organization's database
  + Copy, file, and maintain paper or electronic documents
  + Handle incoming and outgoing correspondence
  + Assist in cleanliness and organization of clinic and daily operation needs
  + <https://www.bls.gov/ooh/office-and-administrative-support/receptionists.htm#tab-2>

# **Regulation and Insurance**

# Regulatory Requirements

* We will comprise a corporate Compliance Plan that reflects the values and ethics of Pinnacle Physical Therapy. The business will follow generally accepted accounting principles (GAAP).
* Employment regulation will comply with standards set by the following organizations and documents
  + Fair Labor Standards Act (FLSA)
  + Consumer Credit Protection Act
  + Federal Employees’ Compensation Act
  + Family and Medical Leave Act (FMLA)
  + Americans with Disability Act (ADA)
  + Age Discrimination and Employment Act (ADEA)
  + Pregnancy Discrimination Act (PDA)
  + Equal Pay Act (EPA)
  + Occupational Safety and Health Act (OSHA)
* Health Care Regulation will comply with standards set by the following documents.
  + The Federal False Claims Act
  + Anti-Kickback Statute
  + Employee Retirement Income Security Act (ERISA)
  + Consolidated Omnibus Budget Reconciliation Act (COBRA)
  + Health Insurance Portability and Accountability Act (HIPAA)
* Food and Drug/ Environmental Regulation
  + Food Allergy Labeling and Consumer Protection Act
  + The Emergency Planning & Community Right-to-Know Act (EPCRA)

# Insurance Needs

* Need a financial hardship program in place that is available to everyone if, for example, a patient is unable to pay the copay due to financial circumstances
  + We will require patients to submit pay stubs if they aren't able to pay co-pays and apply for the financial hardship program

# **Market Analysis/ Strategy**

# Market analysis and Strategy

* Market Analysis:
* What services we are going to provide
  + Skilled physical therapy services including post-op rehab, orthopedic rehab, neuromuscular rehab, gait analysis, running analysis, maintenance programs, endurance and strength training, sports related injuries, and more
* Competitors
  + There will be other physical therapy clinics in Cary that offer similar services as we will but what sets us apart is the cash based triage clinic that we also offer on weekends. This will incentivize local high school athletes to seek Pinnacle Physical Therapy for treatment due to sports injuries occurring on Fridays and Saturdays. This relationship we will build with local schools will be due to the free, one time, injury prevention and physical performance skills day we will offer to the team
* Marketing Strategy:
* Target Market
  + Youth sports, leading up to high school athletes in the local area (~30 minutes or less), as well as community college sports in the area
* Methods
  + Reach the target audience by budgeting for advertising banners at the local schools
  + Sponsoring local baseball, soccer, volleyball tournaments etc.
  + T-shirts for additional marketing strategies

# **Budgeting**

# Capital Budget

* Capital budgetis start-up budget (one-time BIG items)
  + Equipment (NuStep, treatment table, hydrocollator, assistive devices, weights, modalities, computers, chairs, coffee maker, printer, washer and dryer, etc.)

# Annual Operations Expense Budget

* Operation budget
  + Revenue/income:
    - Patient fees (payment for PT services like insurance payers), cashed based services, products you sell (lumbar roll, orthotics, Theraputty), subscription service
  + Cost/expenses:
    - Bank loan, rent or mortgage, utilities, taxes (property, income tax is only paid with C-corporation), payroll tax, salaries, insurance (professional liability, workers comp, etc.), benefits (health insurance, retirement plan, licensing fees, PTO (paid time off)), must pay for electronic medical records (EMR, HEP program), marketing, supplies (TheraBand, paper, ink, etc.)
      * Loan repayment: capital budget and 3 months operating expenses
        + Capital budget: $18,887
        + 3 months operating expenses: ($556,902.57 / 12 months) x 3 months= $139,225

$18,887+$139,225= $158,112

10 year loan interest rate: 3.27%

<https://www.merchantmaverick.com/sba-loan-rates/>

$1,546.53 per month, $18,558.63 per year

<https://www.calculator.net/loan-calculator.html?cloanamount=158112&cloanterm=10&cloantermmonth=0&cinterestrate=3.27&ccompound=monthly&cpayback=month&x=114&y=12#amortized-result>

* Direct cost:
  + Payroll of the professionals (PT salary and benefits)
  + Any and all needed equipment to deliver the service (treatment tables, exercise equipment)
* Indirect cost:
  + Rent
  + Marketing
  + Administrative staff salaries
  + Office equipment
  + Phones
  + Electricity
  + Water
  + Insurance
* Fixed cost:
  + Salary
  + Rent
* Variable cost:
  + Supplies (paper, printer ink, TheraBands, wipes, electrodes, massage cream, paper towels, hand sanitizer, and more)
* Link to detailed budget
  + <https://docs.google.com/spreadsheets/d/1PQwFwsFuiS4QC2hopxcnMpEomX8bACuhLOIIBVJqFGI/edit?usp=sharing>

# **Payment Information**

# Payer mix/case mix/revenue source

* We plan to receive insurance reimbursement from patients with Medicare Part B, private health insurance, and receive cash payment for the triage clinic
* We plan to base our fee schedule off of Medicare’s Fee Schedule for CPT codes and reimbursement
  + This is typically the highest reimbursement and is a good indicator for what other insurances’ fee schedules will look like. Cash based payers, including Triage visits, will use a flat rate of $90 for therapy services provided.

Estimated Payer Mix:

90% private insurance

5% Medicare

5% Cash - based

Fee Schedule for Insurance based care:

We will base our fee schedule on a 10% reduction of what Medicare’s Fee Schedule rates are to maintain realistic conditions.

Example for cost change: Medicare Rate → 10% Reduced Rate

|  |  |  |
| --- | --- | --- |
| **CPT Code** | **Cost** | **Treatment** |
| 97110 | $26.31 | Therapeutic Exercise |
| 97112 | $30.50 | Neuromuscular Reeducation |
| 97116 | $26.31 | Gait Training |
| 97140 | $24.22 | Manual Therapy |
| 97530 | $33.86 | Therapeutic Activity |
| 97161 | $88.41 | Low Complexity (20 min) |
| 97162 | $88.41 | Moderate Complexity (30 min) |
| 97167 | $88.41 | High Complexity (45 min) |

* Unit of Service Price Calculation:
  + 90% of 4 units therapeutic exercise ($94.71), 5% of 3 units therapeutic exercise ($3.94), 5% of cash based rate ($4.50), (**$103.15** total price used in break-even analysis)
    - **We chose this for our price because it is going to be a more accurate estimate for how we anticipate the payer mix to be represented.**
  + Another option is to do 4 units therapeutic exercise just because of simplicity and it will be the majority of our payer mix. ($105.24)
    - We chose to not use this as our UOS Price because it will not be as accurate.
  + Cash Based Payers:
  + $90 Flat Rate for any therapy services billed
  + This is to simplify the billing process and avoid any unintentional fraudulent acts such as pricing discrimination.

# Productivity estimates

* Approximately, on average, 70% productive for the year

# Estimated collection rates

* Co-Pays with insurance will be on average $30 a visit
* Co-Pays for cash-based triage will be $90 a visit
* <https://thervo.com/costs/physical-therapy-cost>

# Annual revenue projections

* 11,459 units possible in the year, projected to be at 70% of complete productivity.
  + $103.15 UOS price x 11,459 UOS = ...
  + **$1,181,995.85 in revenue this year (projected)**

# **Break-Even Analysis**

# Break-Even Analysis

* Fixed costs: salaries, rent, utilities, logistics, personnel cost, taxes, etc.
* Price: expected fee schedule based on Medicare, reduced 10% (biggest payer and other payers follow suit)
* Variable cost: supplies
* Unit of service:
  + The UOS will be based on 1 visit. The time frame we want for our unit of service is 45 minutes (each session is 45 minutes)
  + 6 clinicians, 11 UOS service per day (Monday-Friday) for each clinician and 4 UOS on Saturday (cash-based triage clinic)
  + 11 UOS per clinician x 6 clinicians= 66 total UOS per day (Monday-Friday), 4 UOS on Saturday (cash-based triage clinic)
  + 260 workdays per year x 66 total UOS per day (Monday-Friday)= 17,160 UOS per year (Monday-Friday)
  + 50 Saturday’s worked per year x 4 UOS (Saturday cash-based triage)= 200 UOS per year (Saturday cash-based triage clinic)
  + 17,160 UOS per year (Monday-Friday) + 200 UOS per year (Saturday)
    - 17,360 UOS per year available
  + 3 weeks off per year (15 days off per year for each clinician)
  + 15 days off per year x 11 UOS per day for 1 clinician= 165 UOS PTO per year for 1 clinician
    - Clinicians must get someone to cover for them if they want to take Saturday off. Someone will always be there on Saturday’s to run the cash-based triage clinic
  + 165 UOS PTO per year for 1 clinician x 6 clinicians= 990 UOS PTO per year for all clinicians
  + 17,360 UOS per year available - 990 UOS PTO per year for all clinicians
    - 16,370 units of service available per year after PTO
  + Approximately, on average, 70% productive for patient care for the year. 16,370 x 70%= **11,459 is our UOS available for the year**
* Employee salaries:
  + 4 Physical Therapists (including MG and CM)
    - Each PT makes $70,000 per year
      * $70,000 x 4 PT’s
        + $280,000 per year
  + 2 PTA
    - Each PTA makes $45,000 per year
      * $45,000 x 2 PTA’s
        + $90,000 per year
  + 1 Office Manager (run front desk)
    - $32,000 per year
  + Total salaries per year for all employees
    - $402,000 per year
* The average office rental rate in Cary, NC is $25.51 per square foot
  + For a 2,500 sq. ft. clinic, the rent would be $63,775 per year in rent, this is $5,314 per month
  + Average utility cost per square foot of private sector outpatient business: $1.80 per square foot
    - $375 per month, $4,500 per year (includes water and electricity)
  + <https://www.commercialcafe.com/office/us/nc/cary/>
  + <https://www.webpt.com/blog/office-space-how-to-choose-a-location-for-your-pt-clinic/>
  + <https://www.iotacommunications.com/blog/average-utility-cost-per-square-foot-commercial-property/>
* Supplies
  + Paper, printer ink, TheraBands, wipes, electrodes, massage cream, paper towels, hand sanitizer, and more
  + <https://docs.google.com/spreadsheets/d/1PQwFwsFuiS4QC2hopxcnMpEomX8bACuhLOIIBVJqFGI/edit?usp=sharing>
* Break-even quantity = fixed costs/price-variable cost per UOS
* **Break-even quantity = $574,712.93 / ($103.15 - ($1,384 / 11,459 UOS)**
  + Break-Even Quantity = $574,076.93 / ($103.15-0.12077)
    - $574,712.93 / 103.03
    - 5,578.11 units (this is how many visits it will take to break even)
    - 11,459 is our UOS available for the year / 12 months= 955 UOS available per month
    - 5,578.11 visits to break-even / 955 UOS available per month
      * 5.84 months to break even
      * 955 UOS available per month x 5 months= 4,775 UOS available at 5 months
      * 5,578.11 visits to break even - 4,775 UOS available at 5 months= ~804 visits within month 5
      * **Break even in month 5 after ~804 visits**

# **Information management systems**

# Outcomes assessment strategies

* We will use FOTO as our EMR. This software is able to compile customer satisfaction in tandem with outcome measures we use in the clinic.

# Exit strategies

* Merger and acquisition: this would be used when a homogeneous company merges with Pinnacle Physical Therapy or if we were bought out by a larger company. This exit strategy could be used if our revenue wasn’t sustainable or if we weren’t able to maintain an adequate patient volume
* Sell the business: this would be used if we had good revenue and were tired of running a business. It would be great for all parties involved because we get paid, our investors get paid, and the buyer gets a chance to grow an already successful business